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## FINANCIAL SERVICES REPUBLICAN MORNING CLIPS 10.2.2009

Wall Street Journal: "Fed Draws Court's Eyes in Lehman Bankruptcy ... A court-appointed examiner investigating Lehman Brothers Holdings Inc.'s bankruptcy has been exploring whether the Federal Reserve improperly cut in front of other creditors owed money in the \$613 billion bankruptcy case, records show."

Wall Street Journal: "More Signs Point to Economic Recovery ... An expansion of manufacturing activity, growth in consumer spending and improved home sales indicated Thursday that the U.S. economy is on the mend. But amid a consumer rebound driven largely by tax breaks and government programs, it remained to be seen if a recovery will continue in the absence of federal help."

Wall Street Journal: "Bernanke Backs Limited Finance Council ... Federal Reserve Chairman Ben Bernanke told lawmakers Thursday that a new council of regulators created to oversee systemic risks to the economy should be limited in power and not be "involved in micromanaging any part of the system.""

Wall Street Journal: "CIT Offer Pits Creditors Against Each Other ... CIT Group Inc. has offered its creditors a deal that pits different categories of bondholders against each other and would see some of the firm's current board replaced, one person familiar with the situation said Thursday evening."

Wall Street Journal: "The Credit Crunch Continues ... Anyone counting on a meaningful economic recovery will be greatly disappointed. How do I know? I follow credit, and credit is contracting."

The Washington Post: "Pay Package for AIG Chief to Be Approved ... President Obama's compensation czar is poised to give his formal blessing to a pay package worth up to \$10.5 million for the new chief executive of American International Group, Robert Benmosche, according to sources familiar with the matter."

The Washington Post: "CIT Group Puts Forth 2-Pronged Strategy ... CIT Group, a major lender to small businesses, announced a two-pronged restructuring plan Thursday night aimed at reducing a debt load that has pushed the company to the brink of collapse."

The Washington Post: "Bernanke Welcomes Oversight, Says Fed Can Corral Giant Firms ... Federal Reserve Board Chairman Ben Bernanke told a congressional panel Thursday that his agency is "well suited" to oversee the nation's largest financial firms but also addressed reservations about granting the Fed broad new powers, saying he welcomes a proposed council of regulators to monitor risks threatening the entire financial system."

NY Times: "Bernanke, in Nod to Critics, Suggests Board of Regulators ... The chairman of the Federal Reserve, Ben S. Bernanke, told skeptical lawmakers on Thursday that the Fed should be put in charge of regulating the nation's biggest financial institutions."

LA Times: "Lawmakers would curb Federal Reserve's power, not expand it ... The Federal Reserve has dramatically expanded its role in the economy over the last 18 months, and the Obama administration has proposed enhancing that authority as part of an overhaul of financial regulations."

LA Times: "Mortgage rates approach all-time lows ... Mortgage rates sank near all-time lows this week, according to giant home-loan buyer Freddie Mac -- at least for those borrowers who have survived the recession with their credit ratings still

solid and who are able to put 20% down."

LA Times: "More mortgage modifications result in lower payments ... A report from federal regulators contains bits of encouragement for struggling homeowners seeking to have their mortgages modified."

LA Times: "Two Treasury partners raise \$500 million each for toxic assets effort ... The Treasury Department's long-awaited attempt to deal with toxic mortgage securities cleared another hurdle as two of the nine fund managers selected to lead public-private partnerships to purchase the assets raised at least \$500 million each."

USA Today: "Loan delinquencies hit record highs in 2nd quarter ... Delinquency rates for three key consumer loan categories hit record highs in the second quarter, according to data released Thursday by the American Bankers Association."

USA Today: "Fed's Bernanke endorses council of financial regulators ... Federal Reserve Chairman Ben Bernanke adopted a new tone Thursday over a key plank of the Obama administration's plan for financial regulation reform, saying new oversight powers proposed for the central bank should be shared with other regulators."

USA Today: "Treasury: 2 firms have been cleared to start buying toxic bank assets ... The Treasury Department said Wednesday that two large investment funds have raised the minimum amounts needed to begin purchasing toxic assets from banks, finally launching this part of the government's financial rescue effort."

The Washington Post: "Bernanke subdued on consumer protection ... Federal Reserve Chairman Ben S. Bernanke told a skeptical Congress on Thursday that the central bank is "well suited" to oversee colossal financial companies whose failure could endanger the entire economy."

Reuters: "CIT launches debt-swap plan, warns about bankruptcy ... CIT Group Inc launched on Thursday a debt-exchange plan that the struggling lender to small and mid-sized companies hopes will prevent it from filing for bankruptcy."

Reuters: "Fed officials: Economy mending, but weakness persists ... Federal Reserve officials said on Thursday that while the recession-battered economy is on the mend, it will be weak for a while and the Fed is likely to keep its extensive support policies in place for a while."

Bloomberg: "CIT Pledges to Cut \$5.7 Billion of Debt in Swap Offer (Update2) ... CIT Group Inc., the 101-year-old commercial lender, is seeking to cut at least \$5.7 billion of debt to help it avoid collapse and return to profitability after nine quarters of losses."

Bloomberg: "Banks With 20% Unpaid Loans at 18-Year High Amid Recovery Doubt ... The number of U.S. lenders that can't collect on at least 20 percent of their loans hit an 18-year high, signaling that more bank failures and losses could slow an economic recovery."

Bloomberg: "Investors in Treasuries, Dollars Defy Common Sense: David Pauly ... The U.S. should lose its golden credit

rating. Bankers and investors around the world should dump dollars. Read any economics textbook and you come to that conclusion."

Barron's: "Shying Away From Risk ... INVESTORS ARE STARTING to react to elevated risks in the stock market by moving money to the safety of Treasury bonds and away from riskier assets such as corporate bonds and stocks."